

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IES UTILITIES INC. and INTERSTATE POWER COMPANY	DOCKET NOS. TF-01-94 TF-01-95 (TF-00-262, TF-00-263)
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ORDER APPROVING TARIFFS

(Issued April 26, 2001)

On October 12, 2000, IES Utilities Inc. and Interstate Power Company filed with the Utilities Board (Board) proposed tariffs, identified as TF-00-262 and TF-00-263, to implement the Second Nature Renewable Energy Program (Second Nature Program). The tariffs were approved by the Board on December 21, 2000. The Second Nature Program is designed to allow residential customers the option of receiving electricity that has been generated by a renewable energy source. Participating customers can choose to have 25 percent, 50 percent, or 100 percent of their electricity generated by renewable sources. Participating customers pay an additional charge for each kilowatt-hour of electricity.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate), IES, and Interstate agreed that, for the year 2001, IES and Interstate would include in the energy adjustment clause (EAC) for all customers the average kWh cost for the period November 1999 through October 2000. This amount is

\$0.014 for IES and \$0.0131 for Interstate. Using average EAC costs insures that only participating customers pay additional costs associated with the Second Nature Program. The program is designed to continue through June 30, 2002, and contains a true-up mechanism at the end.

IES and Interstate filed proposed modifications to the Second Nature Program, identified as TF-01-94 and TF-01-95, on March 27, 2001. The modifications increase the amounts flowed through the EAC to \$0.0213 for IES and \$0.0184 for Interstate. The modifications also freeze the EAC level charged to participating Second Nature customers at \$0.014 for IES and \$0.0131 for Interstate. Consumer Advocate concurs with the proposed modifications.

The proposed modifications are the result of expected increases to IES' and Interstate's EAC factors. The increase in the EAC for "green power" purchases is designed to more closely reflect actual EAC costs. The increase will eliminate the possibility of additional undercollections due to undervaluing the "green power" kWhs in the EAC. IES and Interstate will perform a true-up after six months and guarantee that no subsidization will occur between participating and nonparticipating customers.

EAC charges to participating customers will be frozen because increases in the EAC are primarily the result of higher natural gas and purchases power costs. Second Nature Program customers are not contributing to these increased costs, and therefore IES and Interstate do not believe these customers should be required to pay the increases.

The Board will approve the modifications. IES and Interstate have agreed that no cross-subsidization will occur and nonparticipating customers will not be impacted. Not only will participating in the program remain voluntary, but participants can leave the program or change their participation level at any time.

IT IS THEREFORE ORDERED:

Tariff filings TF-01-94 and TF-01-95 are approved, subject to complaint or investigation.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper
Acting Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 26th day of April, 2001.